

KANSAS BUSINESS HEALTH POLICY COMMITTEE
January 12, 2006
Kansas Insurance Department, 3rd Floor Conf Rm, Topeka, Kansas

MEMBERS PRESENT:

Insurance Commissioner Sandy Praeger
Rae Anne Davis, Kansas Department of Commerce
Representative Sue Storm, Shawnee Mission
John Naramore, Lawrence
Senator Ruth Teichman, Stafford

MEMBERS ABSENT:

Senator Laura Kelly, Topeka
Representative Willa DeCastro, Wichita
Laura Howard, SRS
Jeff Levin

OTHERS PRESENT:

Dr. Robert Day, Director, Division of Health Policy and Finance
Dr. Andy Allison, KS Health Policy Authority
Lt Gov John Moore
Cindy Hermes, Kansas Insurance Department
Barbara Langner, University of Kansas
Barbara Torkelson, Kansas Insurance Department
Marlene Shellenberger, Division of Health Policy and Finance

The Committee members were welcomed; Dr. Day introduced Dr. Andy Allison to the Committee, who is the Deputy Director of the Kansas Health Policy Authority Board. Dr. Allison previously worked at the Kansas Health Institute as the Director of Health Care Finance and Organization.

Dr. Day began by recapping the decisions made by the Business Health Policy Committee to date:

1. Use Sedgwick County as test site.
2. Limit plan to businesses with 2-25 employees.
3. Plan will not include additional drug benefit but will link to the Community Rx program in the Sedgwick County area.
4. An exclusive health product will be developed, rather than an existing employer-sponsored product or a self-insurance plan.

A draft RFP Scope of Work was then distributed and reviewed by the Committee. A summary of discussion points and questions are highlighted below:

- Program targets working Kansans most likely to be uninsured, those with income below 200% of federal poverty limit working in small businesses.
- Contribution would be: 10% paid by employee; 30% paid by employer; 60% paid by state .

- For employees near maximum income threshold of 200% FPL, tax credit would be reduced to 55% of premium between 176% and 200% FPL, with employees providing 15% contribution.
- These small businesses have not offered health insurance to employees during the previous two years.
- Relating to term “tax credit” rather than “subsidy”: If tax credit is used, the money for the plan would go to the carrier; carrier would bill employer; involves billing process. If subsidy is used, plan is administered through the KS Health Policy Authority, for a 3-year period beginning January 1, 2007.
- Is setting up “tax credit” more cumbersome for the employer? Need to keep process as simple as possible for the business. Division of Health Policy and Finance staff along with Governor’s staff will be meeting with Dept of Revenue Secretary to have additional discussions about tax credit option.
- Would employer need to report tax credit as income? Need separate income tax form?
- If business receives subsidy, is that taxable?
- Who shares risk with this product? There are no means to accept risk; need legislative action to appropriate resources for this.
- Create a separate risk pool? There is typically a trade-off between helping high-risk groups through a separate risk pool, and increasing coverage by obtaining the lowest possible premium.
- Mercer Consultants recommended having a minimum number of eligible employees participating. If business has a mix of employees, this is a vehicle to offer insurance to all employees.
- What is rate premium corridor? Gender; age. Mercer Consultants recommend a narrow rate band. A narrowing band would result in lower rates for the highest risks but an overall increase in premiums.
- What is the timeframe for development and roll-out of product? Have \$500,000 available for this product this quarter, until end of April 2006; additional \$1.5 million for FY 07 has been included in the Governor’s budget recommendations.
- Would take two or three months for the enrollment process alone.

After a lengthy discussion, the Committee agreed that the uninsured population is what the BHP wants to address; and they agreed to stay with a wide rate band and a fully-insured product. The Committee agreed that before additional decisions can be made, additional information is needed on these issues:

1. Subsidy vs. Tax Credit
2. Cost in implementation
3. Participation rate and underwriting requirements.

Next Meeting:

Friday, February 10th, 9:30 am to 11:30 am in the 3rd floor conference room of the Kansas Insurance Department (420 SW 9th Street, Topeka).

2/3/06